DEPARTMENT OF LOCAL AFFAIRS
JBC Budget Hearing

Monday, December 18, 2006

Introductions/Opening Comments
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Matthew Blackmon, Budget Director
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The Department of Local Affairs' (DOLA) mission is to help build the capacity in local communities. We do this in two ways: Financial Assistance and Technical Assistance. These services include specialized training, technical, and financial assistance, and emergency management. Through our work with communities, the Department strives to:

- Help improve physical conditions of communities.
- Help improve leadership and governing capacities of communities.
- Help improve opportunities for eligible individuals in communities.
- Improve its internal management.

In order to accomplish this mission, DOLA's programs and services are focused on local communities. Thus, performance outcomes are mainly targeted at the local level, resulting in a statewide outcome of strong communities. Local government needs drive the activities and budget resources within the department.

From a budget perspective, 89% of the total departmental appropriation is considered "custodial" – this is defined by the department as state or federal funding that is appropriated to the department on behalf of eligible local governments to be either distributed to local governments through a formula and/or statutorily allowable granting process. This includes such programs as the Volunteer Firefighter Pension Program and the Conservation Trust Fund.

The remaining budget is appropriated as programmatic funds that can be addressed in questions one through four.

1. How do your performance measures influence department activities and budgeting?

The Department of Local Affairs overall budgetary goals influence the department's performance measures. Performance measures have a direct impact on program processes. For example, when a decision made by the Board of Assessment Appeals is reversed by the Colorado Court of Appeals, which only occurs on average one case out of every 1,280 cases decided by the Board, the program's process will be modified to incorporate the courts decision. This has a direct impact on future Board decisions.

2. To what extent do the performance outcomes reflect appropriation levels?

In order to stay within the available appropriation, the department must determine an acceptable level for wait times and backlog of cases. Therefore, the department prioritizes activities in the following manner:

1. Constitutional requirements
2. Statutory mandates
3. Regulatory functions
4. Good business practices

An example of departmental prioritization would be if the State Board of Equalization were to order the Division of Property Taxation to conduct multiple reappraisal orders within the same fiscal year. These reappraisals would be conducted. The result would be that services such as assessor training may not be completed at the targeted level within the current fiscal year and therefore would be completed in the following fiscal year.

3. To what extent do you believe that appropriation levels in your budget could or should be tied to specific performance measure outcomes?

The appropriation levels and performance measures need to be program specific addressing statutory mandates and constitutional requirements. There is also a critical need to review the availability of <u>cost effective</u> program measures that can modify actions to improve outcomes. The department is willing to work with the JBC staff to determine the appropriate mix to enhance performance outcomes.

4. As a department director, how do you judge your department's performance? What key measures and targets do you use?

I utilize a combination of internal and external independent entities to judge the department's performance. I have regular internal meetings with senior staff members, employee groups, and I participate on advisory committees. I also meet with local governments and special interest organizations seeking input and recommendations on programs and services. Other independent entities may include the Colorado Court of Appeals and other state agencies (such as CDOT, Corrections, and CDPHE), that utilize the department's demographic and cartographic population estimates and forecasts.

5. **Provide a list of programs in your department that are subject to the provisions of the two bills.**
   a. Senior Tax Exemption (and the recently approved Disabled Veteran's Tax Exemption) program. Since the Senior Tax Exemption application deadline was prior to the passage of these bills, the department took no action for this year. Next year, the department will be revising the forms to request that assessors verify identification of applicants and provide information on the type of identification and its number, if appropriate. These forms are updated in the normal course of business. Additionally, the Senior Tax Exemption Brochure will be updated, which the department makes available to the general public and assessors. Updating this brochure in within the normal course of business.

   b. Manufactured Housing Installation Program

   c. Dealer Registration Program

   d. Factory Built Housing Program

   e. Factory Built Nonresidential Structures Program

   f. Multi-family Structures Program

6. **How has your department implemented the provisions of the two bills? What problems have been encountered in implementing them?**

The department has established a policy and the appropriate forms to verify the lawful presence of any individuals participating in affected programs. Implementation has not been problematic because most of the program participants are legal entities.

The department has had no serious implementation problems. However, local agencies and organizations that provide direct services to households have encountered problems with understanding and implementation of the new regulations. Additional training for line-staff at the local agencies in the various projects and programs funded through the department is necessary for consistent delivery of the intent of the bills.

7. **Provide an estimate of the costs your department will incur in FY 2006-07 to implement the bills. Are any additional costs anticipated in FY 2007-08? If so, please elaborate.**

   The department does not anticipate additional costs associated with the implementation of the two bills. There are no additional costs anticipated in FY2007-08.

8. **Provide a summary of anticipated savings in FY 2006-07 in your department as a result of not providing services to individuals who are in the country illegally. Are any additional savings anticipated in FY 2007-08? If so, please elaborate.**

   The department will not have savings in FY2006-07 associated with the implementation of the two bills. There are no savings anticipated in FY2007-08.

   Proposal to Eliminate "Cash Funds Exempt" in the Long Bill

9. ***Background.*** Joint Budget Committee staff has proposed eliminating the current "Cash Funds Exempt" column in the Long Bill and replacing it with a new column entitled "Transfers" effective with the **FY 2008-09 Long Bill**. The Joint Budget Committee has not formally voted on this issue. For details of the proposed change, please read the Joint Budget Committee staff memo from November 15, 2006, entitled "Proposed Long Bill Format Change." To help departments understand the new format, our staff has prepared an example of the Department of Revenue FY 2006-07 Long Bill in the proposed new format. This memo, and the example from the Department of Revenue, can be downloaded from the JBC web page at the following Internet address:

   http://www.state.co.us/gov_dir/leg_dir/jbc/PLBFC11-15-06.pdf

   Question. **Please provide the Joint Budget Committee with a summary of any potential concerns that your department may have regarding the proposed change to the Long Bill format. Please highlight potential issues such as: implementation challenges, workload issues, and other related concerns.**

   The Department anticipates initial accounting structural changes, but it is estimated that these changes could be absorbed within existing resources. DOLA staff will work with the JBC staff to complete the necessary changes if the JBC decides to pursue the changes in Long Bill format.

Mineral and Energy Impact Grant Program

10. Why does the Department's budget request project a $40 million decrease in severance tax revenues between FY 2005-06 and FY 2006-07 (Schedule 11, Section 2, Page 18)? What is the Department's projection of severance tax revenues for the next few years?

The severance tax revenue estimates are based on the substantial decrease in the revenue projections provided by Legislative Council for FY2006-07. The department's allocation of severance tax was reduced proportionally.

The down turn in FY07 in the forecast is due to our projection of a decline in the price of natural gas from the high levels in 2005. It should be noted that Legislative Council and OSPB also forecast downturns in FY2007 and another in FY2008 and FY2009. The impact of this decline in price is amplified in the severance tax by the property tax credit provided in state statute.

11. Please provide some historic perspective on why the state severance tax was developed and the logic behind its relationship to local property and sales taxes. What major changes have been made to the severance tax and its distribution since the beginning of the program?

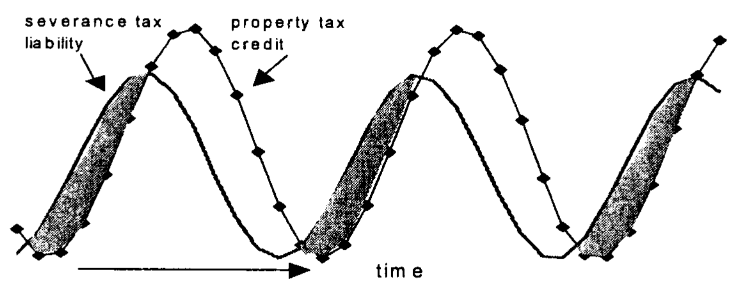
The original legislation provided a pretty clear statement of purpose for the tax:

39-29-101. Legislative declaration.
(1) The general assembly hereby finds and declares that, when nonrenewable natural resources are removed from the earth, the value of such resources to the state of Colorado is irretrievably lost. Therefore, it is the intent of the general assembly to recapture a portion of this lost wealth through a special excise tax, in addition to other business taxes, on the nonrenewable natural resources removed from the soil of this state and sold for private profit.
(2) The general assembly further finds and declares that the severance of nonrenewable resources provides a potential source of revenue to the state and its political subdivisions. Therefore, it is the intent of the general assembly to impose a tax on the process of severance in addition to other business taxes.
(3) It additionally is the intent of the general assembly that a portion of the revenues derived from such a severance tax be used by the state for public purposes, that a portion be held by the state in a perpetual trust fund, and that a portion be made available to local governments to offset the impact created by nonrenewable resource development.

The main source of the year-to-year variability in severance tax revenue from oil and gas is a provision in the severance tax statute (C.R.S. 39-29-105) for a property tax credit against the calculated severance tax liability. These tax provisions amplify the effects of changes in the total annual value of oil and gas production on the resulting severance tax revenue. The severance tax statute provides for a credit against tax liability of 87.5% of local property taxes assessed during the tax year upon the production, excluding equipment and facilities. Property tax payments on oil and gas ownership in year ***t*** are based on the value assessment in year ***t-1***. These, in turn, are based on the actual production quantity and price in year ***t-2***. Severance tax gross liability in year ***t*** is based on production value in the same year ***t***. Thus when a change in production value occurs it is reflected quickly in the calculation of gross severance liability, while the property tax credit that can be used by the taxpayer against this liability is based on production value two years previous. As a result, when production values increase, property tax credits lag, resulting in an amplified increase in severance tax revenues. The same type of amplification would occur with a production value decline, reducing the severance tax liability to zero.

Figure 1 shows a schematic of the lagged credit calculation on an individual taxpayer.

FIGURE 1



Since the typical property tax mill rate on the value of production by a taxpayer is higher than the severance tax rate, much of the severance tax is only paid when the taxpayer has growing production value, shown as a shaded area.

12. The Department did not include performance data for the mineral and energy impact program among its key performance measures. How should the performance of this program be measured? What performance data can the Department report about the program?

The impact program is driven by local government priorities and needs. The division assists local governments in complying with funding requirements for eligible projects. Advisory committees are in place for many programs to weigh competing local needs. Funding for this program is appropriated to the department on behalf of eligible local governments to be either distributed to local governments through a formula for the direct distribution and a statutorily allowable granting process. Local government participation and grant applications drive the program and the outcomes are targeted to the local government needs. The department annually publishes a report on grant awards on the department's website.

13. **Please provide a version of the Department's flow chart illustrating the distribution of federal mineral lease revenues that includes the actual dollars distributed in 2005 through each step of the process. (Also, please adjust the flow chart to refer to the State <u>Public</u> School Fund to reduce potential confusion, since there are several similarly named funds that support K-12 education.)**

    Please see attached flow chart.

14. **When does the Department project that Colorado will begin receiving federal mineral lease revenues from oil shale? Where will these revenues be deposited and how will they be distributed? Will all of them be deposited in the special fund subject to legislative appropriation pursuant to Section 34-63-104, C.R.S.?**

    The department does not have any indications as to when the state will receive federal mineral lease revenues from oil shale. The determination of which of the federal mineral lease revenues are "oil shale" to be deposited in the Oil Shale Trust Fund pursuant to 34-63-104 is made by the State Treasurer on the basis of information provided by the Federal Mineral Management Service. The department has no special information on the prospects for the oil sale projects. From the news reports and discussions with the parties it would not seem that we would have significant production from the proposed oil shale projects for a decade. Therefore, only possibility for significant federal mineral lease payments to the state in the next ten years would be in bonus payments made by corporations similar to those that occurred in the mid 70's. This does not seem likely.

    34-63-104. Special funds relating to oil shale lands.
    (1) All moneys from sales, bonuses, royalties, leases, and rentals of oil shale lands received by the state pursuant to section 35 of the federal "Mineral Lands Leasing Act" of February 25, 1920, as amended, shall be deposited by the state treasurer into a special fund for <u>appropriation by the general assembly to state agencies, school districts, and political subdivisions of the state affected by the development and production of energy resources from oil shale lands primarily for use by such entities in planning for and providing facilities and services necessitated by such development and production and secondarily for other state purposes</u>.

15. **Please describe how the recent increases in gas and oil activity are impacting local government infrastructure and service needs. Please estimate and describe the most urgent funding needs over the next few years and compare these to the projected available funds from severance taxes, federal mineral lease revenues, and local property taxes.**

Colorado is experiencing significant mineral exploration and extraction activity, particularly in the areas of coal and natural gas resource development. Roads, water and wastewater infrastructure, communications infrastructure, public safety projects, and public facilities have been the local government's most urgent needs over the past couple of years as evidenced by the growing number of grants awards in these areas. The department would need input from local government to estimate the need in these areas.

2002 - 2006	Number of Awards	Total amount awarded
Roads	142	$71,847, 165
Water Infrastructure	180	$43,604,235
Wastewater projects	120	$33,177,438
Public Safety	157	$29,568,544
Public Facilities	301	$85, 762, 097

Disaster Emergency Fund:

16. **Please provide a table with expenditures from the Disaster Emergency Fund over the last 8 years, the current balance in the fund, and estimated expenditures for any incidents that are still open.**

Please see attached table for expenditures over the past 8 years.

The chart below lists the current balance and estimated expenses within the Disaster Emergency Fund:

Executive Order	**Purpose**	**Expiration Date**	**Amount Committed**	**Amount Expended**	**Committed Remaining**	**Fund Balance**
Balance 11-30-06						8,050,272
D 001 06	Mauricio Canyon*	10/9/2006	500,000	180,343	319,657	
D 003 06	Imminent Threat	11/6/2006	358,000	51,256	306,744	
D 008 06	Preparedness 06	8/19/2006	2,000,000	244,368	1,755,632	
D 014 06	Mato Vega	3/21/2007	3,000,000	**	3,000,000	
D017 06	Tyndall	4/13/2007	400,000	**	400,000	
D017 06	Wright	4/13/2007	400,000	**	400,000	
D017 06	Jolly Mesa	4/13/2007	700,000	**	700,000	
D018 06	Douglas Flood	4/13/2007	8,000	1,711	6,289	
D021 06	Red Apple	6/13/2007	500,000	**	500,000	
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					7,388,322	
Uncommitted Balance						661,950

($240,000 from TABOR Reserve*)*

**Amounts were transferred from TABOR Reserve

Uncommitted Balance

The Fund balance as of 11-30-06 was $8,050,272, with $7,388,322 committed to open incidents, leaving an uncommitted balance of $661,950.

17. **Should the state assume that funding will be necessary every year for the emergency response and recovery from wildfires, and therefore should the state provide an on-going appropriation for this purpose? Why has the Emergency Fire Fund created by the local governments been insufficient to respond to wildfires? What is the appropriate balance between state and local government funding for the response and recovery from wildfires?**

Given the on-going drought within Colorado and the effects of the pine beetle on federal forest lands it is safe to assume funding for response to wildfires will be necessary. Wildfire activity, severity, and cost have increased significantly in recent years. These increases are due to multiple and complex factors, including an increase in the construction of homes and other facilities in forested areas, drought, and a build-up of wild land fire fuels.

We believe an annual appropriation could be considered for this purpose each year. In addition, it would be beneficial to have any funds unused from one-year's appropriation for these purposes automatically roll forward to future fiscal years. Rolling forward the unused balance would effectively set-aside funds for those years that are similar to or potentially worse than, 2002.

The Emergency Fire Fund (EFF) was established in the 1960's. Large fires and the high cost of associated with protecting homes and infrastructure in the urban-wild land interface have frequently resulted in the EFF being depleted early each fire season. The EFF was never intended to replace state or federal disaster emergency funds; larger, more frequent and more costly fires have outstripped the fund. Counties have been responsive in evaluating and increasing their assessments as utilization of the fund increased. County assessments in 2004 were about $350,000; in 2007 assessments will total $1,000,000.

The appropriate balance of local, state and federal government in paying for wildfire response and recovery should be based on each government's equitable share of land impacted by the wildfire.

18. **Please describe the history, funding, and purpose of the Wildfire Emergency Response Fund and the Wildfire Preparedness Fund. How do these relate to the question of whether an on-going appropriation is needed for the emergency response and recovery from wildfires?**

The Colorado State Forest Service administers these Funds and therefore would be more informed and better equipped to answer these questions.

19. **Why has federal funding for disaster preparedness grants decreased? Has the state achieved a reasonable level of preparedness for disasters with the grant funds provided to date? What are the most urgent remaining issues that need to be addressed with future funding? Are the projected federal funds sufficient to address these urgent outstanding issues?**

Federal disaster response and recovery funds from FEMA for wildfires have been going directly to the State Forest service since 2002. The federal funding available to Colorado for disaster response and recovery comes to the department in years where a federal disaster declaration is made. Federal reimbursement for disasters only addresses damages and never covers the outstanding costs.

20. **Please provide the report requested in footnote 95a on the Department's progress toward addressing the concerns raised in the federal Homeland Security monitoring report.**

Pursuant to the demand for repayment by the Department of Homeland Security (DHS), and using a portion of interest earnings on a corpus of funds distributed to

Colorado under the Jobs and Growth Tax Relief Reconciliation Act of 2003, the Department sent a warrant in the amount of $1,500,000 to DHS for such repayment. The department has made the necessary corrections.

21. **One of the Division of Emergency Management's performance goals is to provide assistance to 12 additional jurisdictions in implementing and maintaining local emergency operations plans. Why has the Department failed to meet this goal the last few years and what are the consequences?**

    DEM Sub-objective 1.6, called for 12 additional jurisdictions to be assisted with implementing and maintaining local emergency operations plans. The division was targeting to accomplish 12, however, due to the several deployments/additional workload for Hurricane Katrina the division was able to accomplish only 10. The department needs to re-evaluate our target and determine a more realistic goal based on all extenuating circumstances and potential for disasters.

<u>Housing and Community Development</u>

22. **Why does the Department's budget request project a decrease in federal Community Development Block Grant funding? How will this decrease impact the effectiveness of the program?**

    Overall federal funding for the CDBG program continues to decrease. This decrease will have a minimal impact on the effectiveness on the program. DOLA strives to maximize available CDBG funds for a community's benefit.

23. **Please provide a general update on the Department's housing programs, including an assessment of the need for housing funds, performance information, and the incremental cost to improve the program. To what extent is the Department using mineral and energy impact funds to support affordable housing projects, and what is the potential for the Department to increase funding for affordable housing from this source?**

    The Division of Housing was appropriated an additional $1,000,000 in FY2006-07 General Fund for the Colorado Construction Grants and Loan Program. The division has awarded funding to the following six projects with a detailed description of the projects attached;

Project #	Project Applicant/Project Name	Amount Funded	Units Produced
07-004	Pikes Peak Foreclosure Prevention Partnership/Foreclosure Prevention	$10,000	30
07-003	Lakewood Housing Authority/Belmont Manor Apartments	$100,000	20
07-008	Thistle Community Housing/Blue Vista Subdivision	$329,280	49
07-005	Del Norte/Juan Diego Apartments	$200,000	17
07-014	Volunteers of America Colorado/Safe Haven	$350,000	25
07-027	Northeast Denver Housing/La Grace Apartments	$110,720	20
	Totals:	$1,100,000	161

The DOH maintains a Project Pipeline Database that lists identified affordable rental, for sale, and special needs housing that expect to apply for DOH funds in the next twelve (12) to eighteen (18) months. The December 2006 Project Pipeline Database Report lists over is 2,358 units of proposed affordable housing in approximately 60 projects across the State. It is estimated that these proposed projects will request $16,000,000 in funds from DOH and leverage over $200,000,000 in additional funds.

The Program Crosswalk document dated September 27, 2006 provides details concerning performance measures directly related to the Colorado Division of Housing production of affordable housing units. Sub Objective DOH 2.1: lists three (3) affordable housing development related performance measures;

- Number of affordable rental housing units produced for households earning 60% less of AMI

FY 2006 saw an increase of production of rental units statewide of 529 compared to FY 2005. This increase in production is to tightening rental markets in some areas of the State. The estimated production number for FY 2007 1,000 units and DOH expects exceed this estimate.

- Number of affordable home ownership opportunities created for low- and moderate-income households

FY 2006 saw a decrease in the production of affordable home ownership opportunities for low- and moderate-income households of 156 units compared to FY2005 (from 430 units to 274 units). This reduction in home ownership units is associated with the increasing challenge of matching household incomes and the average sales price of homes in many areas of the State. As home sale prices outpace income, the affordability gap for homeownership increases placing pressure on DOH to increase the subsidy per unit for home ownership opportunities.

- Increase the statewide production of rentals by increasing the per unit leverage amounts from other sources

FY 2006 saw an increase in the per unit leverage amount for affordable rental housing from non-DOH funds of $1,968 per unit compared to FY 2005. This increase is a direct result of the Division's continuing efforts to educate and provide technical assistance to our applicants regarding the need to provide substantial leveraged funds to be a successful applicant. The leveraged funds for DOH projects include local public and private sector funds, quantified in-kind contributions, tax credit equity, and other Federal programs.

The department funds the community infrastructure needs as requested. Energy and Mineral Impact grants are awarded to local governments. Local governments determine their need for affordable housing projects and their capability for completing and sustaining the project. Additionally, several grants have been made to local governments to improve water and wastewater infrastructure needs for housing projects.

The overall leveraging ratio of General funds to other contributions in the six (6) projects funded with 2006-2007 Affordable Housing Construction Grants is 22:1 ($19,870,638 total project costs/$1,100,000 State General funds). The leveraging ratio varied from 3:1 to 35:1 for these projects.

Project #	General Fund Amount	Total Project Costs	Leveraging Ratio
07-004	$10,000.00	$34,600	3:1
07-003	$100,000.00	$1505,739	15:1
07-008	$329,280.00	$11,516,617	35:1
07-005	$200,000.00	$4,333,623	22:1
07-014	$350,000.00	$1,248,760	4:1
07-027	$110,720.00	$1,253,299	11:1
Averaging Leveraging Ratio			22:1

The Colorado Division of Housing expects that the leveraging ratio of Affordable Housing Construction Grants to total project costs will continue at the levels provided. As a conservative estimate, DOH expects that for every additional dollar of State General Funds provided for affordable housing, an additional $10 of funds would be leveraged.

24. **Please provide the specific report requested in footnote 95 on the Department's efforts to reduce regulatory barriers to the development of affordable housing.**

The Colorado Department of Local Affairs, Division of Housing (DOH) employs a number of strategies to reduce regulatory barriers, including the following:

- **Application Review Process;**
- **2005-2010 Consolidated Plan;**
- **Colorado Blue Ribbon Panel on Housing;**
- **Housing Colorado: A Guide for Local Officials;**
- **Training;**
- **Survey on Local Government Development Costs;**
- ***Reducing Housing Costs through Regulatory Reform: A Handbook for Colorado Communities.***

Application Review Process
Each loan/grant application submitted to the DOH is reviewed to determine the extent of the regulatory barriers for each specific application and how these barriers are being addressed. Most projects achieve cost savings in one or more of the following areas:

- Waiver or deferral of impact fees;
- Streamlined permit review processes;
- Reduced offsite infrastructure costs;
- Waiver or reduction of building permit fees;
- Relief from development standards;
- Relief from zoning or subdivision controls;
- Land dedication.

In addition to the cost-savings strategies listed above, DOH funded projects also receive a significant amount of local funds and in-kind contributions. These local financial contributions assist in off-setting the cost of regulatory barriers in many DOH funded projects.

2005-2010 Consolidated Plan
The Consolidated Plan addresses five categories of land use regulations often cited as barriers to affordable housing. These include: (1) infrastructure financing, (2) zoning and subdivision controls, (3) building codes, (4) permitting and procedural rules, and (5) environmental regulations. The Division works with communities to show how local governments in Colorado could modify regulations to reduce their impact on affordable housing. This assistance is provided through technical workshops on land use planning and on financing affordable housing.

Examples:

Regulatory Requirement	Regulatory Remedies
Water/Sewer Tap Fees	The Town of Crested Butte has a reduced fee basis for water and sewer taps for deed-restricted units.
Water Tap Fees	The City of Aspen provides waivers of water tap fees for deed-restricted affordable housing properties.
Development Impact Fees	The Town of Breckenridge waives all city-generated fees except sewer fees for housing affordable to households up to 120% of Area Median Income.
Water Tap Fees	The Town of Snowmass provides waivers for water tap fees for deed-restricted rental and ownership units.
Development Impact Fees	The Town of Rangely waived development fees for a twenty bed assisted living facility.
Exactions	Colorado Springs shared the on-site drainage improvements for an affordable housing project.
Land Dedications	The City of Durango contributed land to an affordable senior rental housing project.
Building Permit Caps	Boulder is exempting affordable housing from its growth management permit limitation.

Colorado Blue Ribbon Panel
The Colorado Blue Ribbon Panel on Housing (co-chaired by the Division of Housing and the University of Denver) has examined a variety of ways to reduce housing production costs through lessening regulatory barriers throughout the state. As a first step, the panel met with Nestor Davidson of the University of Colorado College of Law during its July meeting to examine recent research on a variety of regulatory issues. In addition, builders and local government officials provided insights on regulations and costs of housing in Colorado's local communities throughout the panels varied discussions. Policies examined have ranged from water tap fees to inclusionary zoning measures.

Drawing upon these discussions, The Blue Ribbon Panel's final report (to be released in early February 2006) will include recommendations intended to facilitate cooperation between state, federal, and local agencies to lessen the costs of housing production. Regulatory issues have been some of the more challenging issues faced by the panel since the regulation of housing production is decided primarily at the local level, and does not lend itself toward statewide solutions. Because of this local focus, cooperation between state and local officials is key in addressing the regulatory effects on housing costs. The Blue

Ribbon Panel, comprised of state and local officials (as well as numerous members of the private sector), has been designed to facilitate this cooperation.

Housing Colorado: A Guide for Local Officials

In response to requests from local governments, DOH publishes *Housing Colorado: A Guide for Local Officials* that outlines steps jurisdictions may take to assist affordable housing in their communities. It includes a chapter on regulatory barriers.

Training

DOH provides a number of trainings designed to promote cost effective housing development. For example, the Developer's Toolkit, an interactive training, outlines the steps required to complete an affordable housing project and includes a section on regulatory barriers eliminating the "Not in My Backyard" (NIMBY) syndrome. The DOH application workshop also covers the topic of regulatory barriers.

Survey of Local Government Development Costs

DOH periodically surveys local governments regarding policies and fees that may impact affordable housing. The Division publishes this information and makes it available to local jurisdictions.

Reducing Housing Costs through Regulatory Reform: A Handbook for Colorado Communities

This handbook enables local governments to better understand how excessive regulations drive up housing costs and impede construction of affordable housing in their communities.

Housing Colorado: the challenge of a growing state

Although last published in 2002, this document examines the leveraging of local government resources; provides an analysis of project costs, and presents examples of existing affordable housing programs, tools and techniques.

25. **Why has the percentage of housing grant projects with monitoring findings increased? What is the nature of these findings? Is the Department adequately funded to provide technical assistance to local governments in preparing and implementing housing plans so that the local governments don't receive monitoring findings?**

The percent of projects receiving monitoring findings can fluctuate anywhere from 1% - 10% annually. A monitoring finding is a violation of a federal regulation and most all findings (at least 90%) center on the violation of HUD's Housing Quality Standards (HQS) inspection. DOH asset managers monitor between 150 – 180 projects per year.

The primary objective of the HQS inspection is to protect the health and safety of families living in federally subsidized housing. Affordable housing development funded with CDBG, HOME, Mod Rehab, Section 8 Tenant/Project Based Vouchers are considered subsidized housing. HUD HQS inspection criteria is based on the federal minimum standards applicable across the country for this type of housing.

A rental unit may pass an HQS inspection when it is originally leased but could fail the next day. An example of a minor HQS finding would be a broken electrical face plate or a battery taken out of a smoke detector. An example of a major finding would be a unit without heat or electricity. Minor findings are normally corrected within 30 days and a major finding request for correction is normally 2 days depending on the severity. It is very common to have this type of finding in a DOH project monitoring review.

The spike in monitoring findings from 3.5% (FY05) to 7.5% (FY06) could be the consequence of the high vacancy rates that have occurred in Colorado in the past few years. A high vacancy rate can result in less cash flow for a property which could reduce the operating fund for proper property maintenance. Vacancy rates in the past several years have varied:

3rd Quarter 2002	9.1 %
3rd Quarter 2003	11.1 %
3rd Quarter 2004	9.8 %
3rd Quarter 2005	8.6 %
3rd Quarter 2006	7.2 %

In order to enhance the education of property owners, tenants and administrators of subsidized housing, DOH developed and interactive web training on the requirements of HQS. This training course is an effect tool in educating all of the parties involved with subsidized housing on the federal requirements.

The DOH could utilize an additional funding to provide technical assistance, monitor and improve HUD reporting requirements. DOH is required to monitor HOME funded affordable housing rental projects throughout the affordability term. The average term is 30 years. Please note that DOH provides grants and loans not only to local governments but also to private and nonprofit developers.

26. **One of the Department's performance measures is the percent of local jurisdictions participating in the manufactured housing installation program. Please explain this measure. What does it mean to "participate" in the program?**

The percentage of local jurisdictions participating in the installation program is a measure of success in getting local jurisdictions involved in factory manufactured (HUD Code and Modular) housing. It has importance because the installation program works much better where the local jurisdiction participates. Jurisdictions that participate have their building department as the exclusive inspection agency for all factory manufactured home installations and the Division of Housing provides training for local inspectors and building officials. It is the expertise and independence of the local building department that is the primary reason the installation program works better when the local jurisdiction participates. Local participation also results in knowledge and expertise in factory manufactured structures at the local level that is valuable in handling the growth of these projects in Colorado (industry growth was up 49% over the last two fiscal years). Private independent certified inspectors perform installation inspections in areas where the local jurisdiction does not participate.

General Issues

27. **The Department describes it's number one performance goal as:**

> *Ensure equity for taxpayers and compliance with constitutional and statutory revenue limitations and budgetary practices of local governments in Colorado.*

The JBC staff has suggested that this goal should be expanded to include encouraging best budgetary practices by local governments, with performance measures that track the quality of local government budget procedures and the financial health of local governments as indicators of whether the Department's outreach and education efforts are successfully promoting better fiscal management. Please comment on the staff recommendation.

The department believes this goal as stated encompasses the suggested changes. The department will work to develop and expand appropriate and cost effective performance measures that address the suggested changes on the areas such as budget procedures and financial health of local governments.

28. **Please provide a map showing the office locations of the FTE employed by the Department.**

See attached map.

29. **How many companies in Colorado are recycling waste tires? What are the companies, and where are they located?**

According to our information, we believe there are 15 companies in Colorado recycling waste tires. These companies are listed below. There may be other companies in Colorado who do not participate in the program.

Academy Sports Turf 3740 S. Jason Street Englewood, CO 80110	Midway Tire Disposal/Recycling, Inc. P.O. Box 352 Fountain, CO 80817
American Tire Exchange, Inc. 5225 Peaceful Place Colorado Springs, CO 80917	North West Rubber CO, Inc. 7623 N. Lacaun Drive Louviers, CO 80131
Child's Play of Colorado LLC 12081 W. Alameda Pkwy, Unit 135 Lakewood, CO 80228	Peak Scapes, Inc. 6680 President Avenue Colorado Springs, CO 80911
Crafco Denver Industrial Sales & Service Company 850 S. Lipan Street Denver, CO 80223	Playscapes by Design 5931 S. Pennsylvania St. Centennial, CO 80121
Deery American PO Box 4099 Grand Junction, CO 81502	Snowy River Enterprises 4450 Mulligan Dr. Longmont, CO 80504
Front Range Tire Recycling Box 184 Sedalia, CO 80135-0184	Tire Brokers 1950 Oak Hills Dr. Colorado Springs, CO 80919
Imagination Playgrounds & Safety Surface 3407 E. 115th Drive Thornton, CO 80233	Tire Recycling, Inc. (Tire Mountain) 12311 Weld County Road 41 Hudson, CO 80642
Jai Tire 5050 Colorado Blvd. Denver, CO 80216	

30. Please coordinate with the Department of Higher Education to provide a report on the Advanced Technology Grants detailing which higher education institutions and private entities have received funding, how much they have received, and for what specific research projects. Please include performance information on the outcomes of the funding.

Based on the statutes, the Department of Local Affairs only passes through funds to the Advanced Technology Fund on a quarterly basis.

See attached response from the Department of Higher Education.

Response the department received from the Colorado Commission on Higher Education:

For FY05-06 the Colorado Commission on Higher Education (CCHE) in partnership with the Colorado Institute of Technology (CIT) awarded two Advanced Technology Grants. Since the creation of CIT, CCHE partnered with CIT to award grants from the Advanced Technology Fund until April of 2006 when CIT was shutdown, and CCHE took full responsibility for the program. However, prior to the closer of CIT, the organization had already selected two grants from a December request for proposal process. These two grants were evaluated by CIT criteria and approved for award and funded by CCHE.

The two grants were awarded to two private companies, one of which, Aurogen Inc. is working with the Colorado State University Research Foundation. The two grantees were:

Aurogen, Inc. Amount: $200,000

Title: *"Development of a Therapeutic Treatment for Dementia"*

Project Description: This is a high impact Project with the capacity to make Colorado a major player in the multibillion-dollar neurodegeneration industry that has substantial growth potential. This Project extends the existing collaboration between Colorado State University and its technology spin-off, Aurogen Inc. Aurogen, located in Fort Collins, will continue to be the project's R&D head quarter. This Project leverages federal research funds received over the years from NIH and CDC.

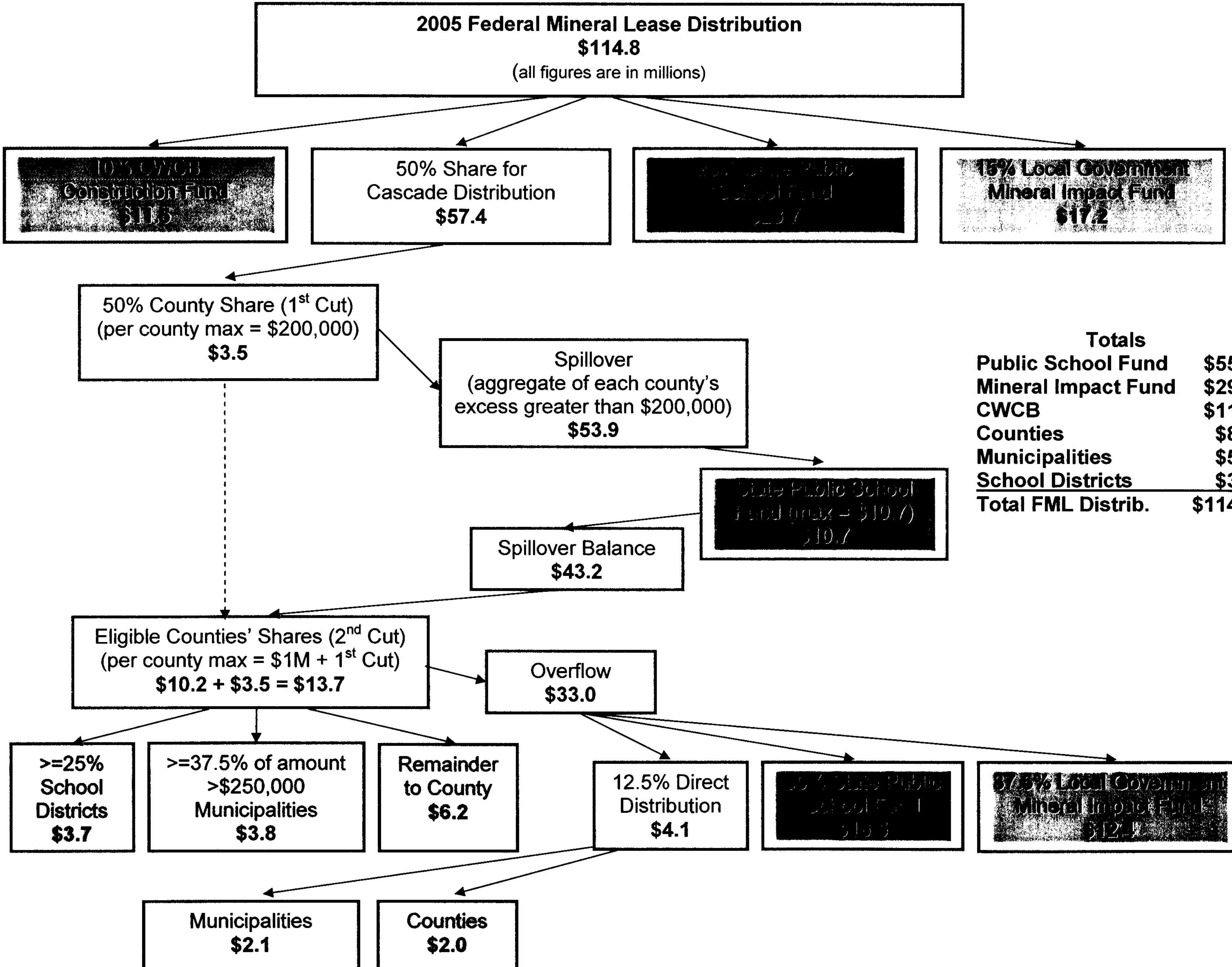
Ingenium Care LLC. Amount: $175,000

Title: *"Wearble Wireless Health Monitor with Cognition Capability and Remote Care System."*

Project Description: To develop a proof of principle demonstration of a remote health monitoring system with cognitive feedback and alerting capabilities. This system will include a basic proof of concept wireless health monitor device (BHM for basic health monitor) with measurement capability of pulse, Oxygen saturation, activity, body temperature, and fall detection. This device is additionally combined with 2 way audio for providing speech input and output to the cognitive system. This device will be combined with a remotely accessible cognitive system for event detection and alerting. A remote computer attached through the internet will provide remote monitoring and care instructions. Future commercial versions will also measure EKG and blood glucose.

Both grantees are required to submit half-yearly progress reports, as well as a final performance summation report detailing all of their findings. Since the closure of CIT caused a delay in the funding of these grants, their half yearly progress reports are not yet due to CCHE. However, as a requirement of the State Controller's office the grantees are awarded their funding in separate payments throughout the year after the companies issue invoices detailing their expenses occurred to insure that funding is being used as proposed.

For FY06-07, CCHE issued a new request for proposals according to the statutory changes that went into effect during the Second Regular Session of the Sixty-Fifth General Assembly (2006). The proposals were due December 5, 2006 and CCHE is currently in the process of reviewing and evaluating the twenty proposals that were received.



Totals

Public School Fund	**$55.9**
Mineral Impact Fund	**$29.6**
CWCB	**$11.5**
Counties	**$8.2**
Municipalities	**$5.9**
School Districts	**$3.7**
Total FML Distrib.	**$114.8**

Disaster Emergency Fund Expenses

SumOfAmount	Exec Order Year	Grant_No	Purpose
802,041.55	1997	OEM98 97 FLD	1997 Flood Recovery Match (Helped Reimb. Local Govts for the Match to the Federal Disaster Funds)
802,041.55	**1997 Total**		
875,000.00	1999	OEM99 1276MA	1999 Flood Recovery Match (Helped Reimb. Local Govts for the Match to the Federal Disaster Funds)
875,000.00	**1999 Total**		
471,000.00	2000	OEM00 FIRES	State Forest Service Fire Suppression
260,000.00	2000	OEM00 FIRES	State Forest Service Fire Suppression
269,000.00	2000	OEM00 FIRES	State Forest Service Fire Suppression
4,121,000.00	2000	OEM00 FIRES	State Forest Service Fire Suppression
5,121,000.00	**2000 Total**		
275,000.00	2001	OEM01 ELDFIR	State Forest Service Fire Suppression
275,000.00	**2001 Total**		
31,972.07	2002	OEM02 020610	State Forest Service Fire Suppression
450,000.00	2002	OEM02 D-009	State Forest Service Fire Suppression
7,864,725.85	2002	OEM02 D-014	State Forest Service Fire Suppression
8,880.52	2002	OEM02 D-014	State Forest Service Fire Suppression
871,019.07	2002	OEM02 FIRE	State Forest Service Fire Suppression
359,759.04	2002	OEM02/NAT GD	National Guard Fire Response
8,450.35	2002	OEM02NG01929	National Guard Fire Response
7,427.42	2002	OEM02NG50702	National Guard Fire Response
9,602,234.32	**2002 Total**		
9,386.27	2003	OEM03 BLIZZ	National Guard Blizzard Response
3,600,000.00	2003	OEM03D01503	State Forest Service Fire Suppression
592,390.20	2003	OEM03FIRE EO	State Forest Service Fire Pre-Positioning
415.47	2003	FIRE 031031	National Guard Fire Response
4,202,191.94	**2003 Total**		
371,604.31	2004	FIRE 04-004	State Forest Service Fire Suppression
12,044.18	2004	FIRE D007-04	State Forest Service Fire Suppression
364,980.68	2004	FIRE D09-04	State Forest Service Fire Suppression
765,672.99	2004	FIRED003-04	State Forest Service Fire Pre-Positioning
1,112,096.40	2004	DEM04EO00604	State Forest Service Fire Pre-Positioning
2,626,398.56	**2004 Total**		
1,256,542.22	2005	DEM05 D003-5	State Forest Service Fire Pre-Positioning
641,305.24	2005	DEM05 D00605	State Forest Service Fire Suppression
1,897,847.46	**2005 Total**		
180,343.19	2006	FIRE D00106	State Forest Service Fire Suppression
51,256.25	2006	DEM06 D00306	State Forest Service Fire Pre-Positioning
244,367.69	2006	DEM06 D00806	State Forest Service Fire Pre-Positioning
1,711.90	2006	DEM06 D01806	2006 Flood Response/Assessment
3,500,000.00	2006	DEM06 D01406	State Forest Service Fire Suppression
1,500,000.00	2006	DEM06 D01706	State Forest Service Fire Suppression
6,863.30	2006	DEM06 D02306	National Guard Helicopter Search for CSP Shooter
4,500.00	2006	DEM06 D01806	National Guard Blizzard Response

Detailed project description of the Colorado Construction Grants and Loan Program projects funded in FY2006-07:

- **Pikes Peak Foreclosure Prevention Partnership/Foreclosure Prevention**
  Geographic area served: El Paso County

The Pikes Peak Foreclosure Prevention Partnership, Inc. (PPFPP) received a $10,000 grant to assist in the operation of their local homeownership preservation activities. As the foreclosure rate has increased in El Paso County, the need for the services provided through the PPFPP has increased. These funds will be used to increase local marketing efforts to increase the awareness and use of their services in the area. The PPFPP also plans to be one of the local homeownership preservation partners participating in the Statewide Hotline effort.

- **Lakewood Housing Authority/Belmont Manor Apartments Acquisition/Rehabilitation**
  Geographic area served: Jefferson County

Lakewood Housing Authority (LHA) received a grant of $100,000 to assist with the acquisition and rehabilitation of the Belmont Apartments in Lakewood, Colorado. There are 20 two-bedroom, one bath units in 5 brick buildings – one of the units is affordable at 30% AMI, 9 are at 50% AMI, 5 at 55% AMI and 5 units are unrestricted. This project preserves the existing affordable rental units in this property that were at risk of being lost due to market conditions.

- **Thistle Community Housing, Inc./Blue Vista Subdivision**
  Geographic area served: Boulder County

Thistle Community Housing received a $329,280 grant to fund affordable homeownership through the construction of a subdivision in southeast Longmont. The site is in an excellent location – close to downtown, surrounded on two sides by open space, and across the street from the city's new recreation center, museum, and park. Thistle has overall site plan approval from the City for a total of 198 homes, with 100 intended for Thistle's Community Land Trust (CLT) and 98 at market rate. The infrastructure is complete for Phase I, and Thistle is about to begin construction of a model home. Phase I will consist of 79 units – 49 CLT homes and 30 market-rate homes. All of the CLT homes will be affordable for 99 years with a deed restriction on the land, managed by Thistle.

- **Del Norte Development Corporation/Juan Diego Apartments**
  Geographic area served: Statewide (project located in Denver County)

Del Norte Neighborhood Development Corporation received a $200,000 grant to fund the Juan Diego Apartments, to meet the growing need of homeless persons living with HIV/AIDS (PLWHA) in Colorado. The project will have seventeen units: 12 one bedroom – one bath units (11@30% AMI and 1@50%), and 4 two-bedroom/2 bath units all at 30% AMI and one manager unit (1bedroom/1 bath). All units will be fully furnished, and include a community/classroom space, office, covered parking, and laundry, with 12 of the 18 units fully accessible and 100% visitable.

- **Volunteers of America Colorado/Safe Haven Project**
  Geographic area served: Statewide (project located in Denver County)

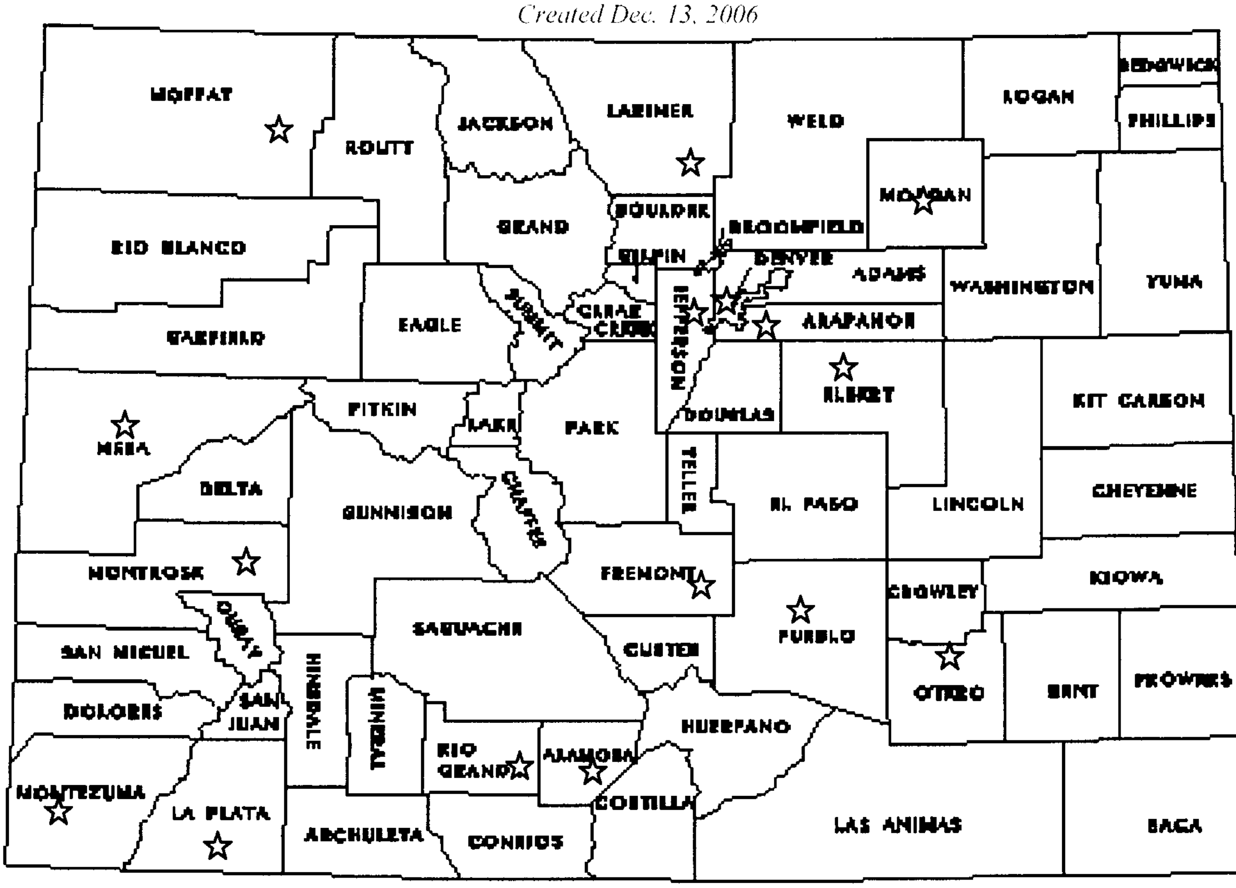
The Safe Haven Project serves as service-enriched housing for chronically homeless adult women (age 18 and older) with serious mental illness. Clients of the Safe-Haven project will sign a lease, and will not have a predetermined time within which they must leave the project (Permanent Rental Housing). The project will provide 25 beds at a monthly rent of approximately $83, consisting of 21 individual sleeping rooms, plus two, two-person sleeping rooms. The project will remain affordable for at least 30 years, serving persons at 30% or less of AMI.

- **Northeast Denver Housing/La Grace Apartments**
  Geographic area served: Denver County

Northeast Denver Housing Center received a $110,720 grant for the acquisition of the LaGrace Apartments. The property is an attractive, 1890's vintage brick building located in northeast Denver. This project will preserve twenty (20) units of affordable housing with the following unit mix at the following income levels; four (4) at 50% AMI, fifteen (15) at 60% AMI, and one unrestricted unit. This project preserves the existing affordable rental units in this property that were at risk of being lost due to market conditions.

Colorado Department of Local Affairs
Office Locations and FTE

Created Dec. 13, 2006



Office Location	Divisions	# FTE
Alamosa	Office of Workforce Development, Colorado Disability Program Navigator	1
Canon City	Office of Workforce Development, Colorado Disability Program Navigator	1
Centennial	Division of Emergency Managmenet	22.2
Cortez	Office of Workforce Development, Colorado Disability Program Navigator	1
Craig	Office of Workforce Development, Colorado Disability Program Navigator	1
Denver	DOLA Central Office	144.6
Durango	Division of Emergency Management	1
	Division of Local Government, Field Services	1
Fort Morgan	Division of Local Government, Field Services	1
	Office of Workforce Development, Colorado Disability Program Navigator	1
Frisco	Division of Emergency Management	1
	Office of Workforce Development, Colorado Disability Program Navigator	1
	Division of Local Government, Field Services	1
Golden	Division of Emergency Management	1
	Division of Local Government, Field Services	1
Grand Junction	Division of Emergency Management	1
	Division of Housing	1
	Division of Local Government, Field Services	1
	Division of Property Taxation	2
Loveland	Divisionof Emergency Management	1
	Divisionof Local Government, Field Services	1
Monte Vista	Division of Local Government, Field Services	1
Montrose	Office of Workforce Development, Colorado Disability Program Navigator	1
Pueblo	Division of Emergency Management	1
	Division of Local Government, Field Services	1
	Office of Workforce Development, Colorado Disability Program Navigator	1
Rocky Ford	Office of Workforce Development, Colorado Disability Program Navigator	1